

Declarations of Interest

Any Member attending the meeting is reminded of the requirement to declare if he/she has a personal interest in any item of business, as defined in the Code of Conduct. If that interest is a prejudicial interest as defined in the Code the Member should also withdraw from the meeting.

SUPPLEMENTARY AGENDA

6.	Affordable Housing Action Plan	(Pages) (5 - 10)
	<i>Appendix 1: Affordable Housing Action Plan</i>	(11 - 14)
	<i>Appendix 2: NPV - Property Acquisition</i>	(15 - 16)

The next meeting is due to take place on Thursday, 30 November 2017

SUBJECT:	<i>Affordable Housing Action Plan</i>
REPORT OF:	<i>Cllr Paul Kelly Healthy Communities portfolio</i>
RESPONSIBLE OFFICER	<i>Head of Healthy Communities</i>
REPORT AUTHOR	<i>Martin Holt martin.holt@southbucks.gov.uk 01494 732055</i>
WARD/S AFFECTED	<i>All</i>

1. Purpose of Report

To consider how the Council may seek to end the long term use of B+B and private rented nightly let accommodation.

RECOMMENDATION	
1	That Cabinet considers the theoretical business case for the acquisition of residential properties for use as affordable housing and seeks a further report.
2	That Cabinet comment on the Affordable Housing Action Plan in seeking to end the long term use of nightly let and B+B accommodation for homelessness.

2. Reasons for Recommendation

- a. To support the Council's Medium Term Financial Strategy and reduce the cost of homeless accommodation.
- b. To enable the Council to discharge its duty to accommodate those who are determined as homeless and in priority need.
- c. The provision of emergency accommodation in the district would reduce the health inequality risks associated with the placement of families out of the district.

3. Content of Report

Affordable Housing Contributions

- 3.1 Cabinet at its meeting 28th June 2017 approved the continuation of the three schemes to deliver affordable housing units through the use of currently committed commuted sums:
 - a) The Acquisition programme delivered by L&Q, to buy back ex-social housing
 - b) The provision of Your Choice Equity Loans delivered by Catalyst Housing.
 - c) Downsizing – The 'incentive to move' scheme of approved funding.
- 3.2 Cabinet noted from a table in the report that of the £8,877,438 received £3,650,778 remained uncommitted.
- 3.4 Council at its meeting 19th July 2017 requested that a report be presented to the Healthy Communities PAG on how the £3.6M available from the Affordable Housing Contributions (commuted sums) would be allocated for affordable housing.
- 3.5 The report below sets out the action plan to maximise the opportunities that arise through initiatives to provide affordable rented properties or temporary accommodation to support homelessness services, by working in partnership with Registered Providers, other public bodies and or developers. Appendix 1 details the

schemes that are being progressed and the element of Commuted Sums that may be required.

Long term use of B+B and Nightly Let Private Rented Accommodation

- 3.6 Whilst the Council provides advice, assistance and support to prevent households becoming homeless, it has seen increasing demand for homelessness accommodation, resulting from the increased numbers of persons with complex needs applying as homeless together with a lack of supply of affordable housing for people to move to.
- 3.7 Government requirements backed by decisions of the Local Government Ombudsman has resulted in the Council seeking alternatives to placing families in B+B for periods longer than 6 weeks. The Ombudsman has awarded compensation to households with children placed in B+B accommodation for long periods.
- 3.8 The numbers of affordable housing advertised through Bucks Home Choice is averaging 2 properties per week with consequently long waiting periods for those on the housing register. The properties have been let via BHC and broken down as follows
 - 1 bedroom = 18 (Average wait = 15 months)
 - 2 bedroom = 15 (Average Wait = 23 months)
 - 3 bedroom = 6 (Average Wait = 17 months)
 - 4 bedroom = None
- 3.9 These factors have led to officers having to increase the use of nightly booked self-contained accommodation for a longer period which is considerably more expensive than B+B accommodation.
- 3.10 The Council has also changed the manner in which the cost of accommodation is shown enabling the cost of homelessness to be clearly identified.

SBDC TEMP ACCOMODATION B&B COSTS	2012/13	2013/14	2014/15	2015/16	2016/17
	ACTUALS	ACTUALS	ACTUALS	ACTUALS	ACTUALS
	£	£	£	£	£
Expenditure on B&B placements	67,574	166,026	176,091	463,995	919,777*
Income from Housing Benefit & B&B charges to clients	-61,873	-181,605	-193,698	-502,233	-810,791
Cost of B&B debt written off (client charges not collectable)	0	0	15,000	35,000	59,926
Loss of HB Subsidy for B&B & STL Cases	21,926	79,259	69,203	143,128	291,470
Net Cost to SBDC	27,627	63,680	66,596	139,890	460,383

*Up until 17/18 the total cost of B&B is split between Homelessness and the cost of Housing Benefit. The process was amended from 6 Feb 17 in order to show this total cost within the homelessness cost centre

- 3.11 The impact of homelessness on the Council’s budget is clearly unsustainable and a range of solutions are being explored to increase the overall supply of affordable housing for both emergency and longer term affordable housing. These include;

Scheme	Action
<p>Leasing private sector accommodation through a Registered Provider – Paradigm Housing is modelling a business proposal to provide up to 50 private sector leased properties for use as affordable housing. The areas in which properties may be sought include; Slough, Hillingdon, South Bucks and Wycombe. These properties may be available for both emergency housing and to discharge the Councils homelessness duty.</p>	<p>Report to PAG outlining the business case detailing the impact this initiative could make on reducing the current demand for nightly let and B+B accommodation</p>
<p>Officers are consulting with Buckinghamshire Housing Association on a similar proposal.</p>	<p>A further report will be presented to PAG in relation to this scheme.</p>
<p>Developing affordable housing through the acquisition of land e.g. Gerrards Cross Police Station. The planning process will require 40% (approximately 12 units) to be affordable housing or a Commuted Sum payable.</p>	<p>This project is being managed through the Project Board</p>
<p>Development of Council owned land to deliver affordable housing utilising modular and off-site construction or traditional building methods. The proposal in relation to the Bath Road Depot seeks to use £2.7M of S106 funding to deliver 12 units on site. This approach could be considered on other Council owned sites to deliver short term or longer term lettings as affordable housing.</p>	<p>This project is being managed through the Project Board</p>
<p>Enabling housing associations to deliver increasing numbers of affordable housing for rent through development of the acquisition of property – development opportunities by housing associations in Taplow, Burnham, are being realised with 102 flats (38 x 1 bed, 64 x 2 bed) properties being delivered in 2018/19</p>	<p>These properties will be allocated to eligible persons on the Bucks Home Choice system</p>
<p>Supporting the acquisition of properties by L+Q to purchase and repair properties to be let as affordable rented properties, currently averaging 3 properties per annum.</p>	<p>Funding for the project is already agreed as part of the L+Q Buy Back or Acquisition scheme detailed in para 3.1</p>
<p>Utilising existing housing association stock for homelessness households. Currently SBDC utilises 21 L+Q and Paradigm properties as emergency accommodation in addition to the 8 ex-police houses the council now owns.</p>	<p>L+Q are not legally obliged to provide this accommodation and could withdraw the use of the properties in WDC and its own stock in providing homelessness accommodation.</p>
<p>Reviewing the use of private rented accommodation by homelessness households in return for a rental guarantee.</p>	<p>Investigations are ongoing to assess the viability of this product in South Bucks</p>
<p>The acquisition of properties by the Council for use as affordable housing managed on behalf of the Council by a Registered Provider – Officers have previously brought reports to the PAG in relation to the acquisition of property and whilst unsuccessful in the case of Grand Union House, an alternative approach such as buying individual flats and</p>	<p>The theoretical case in para 3.12 below details how this could be used to offset the cost of nightly let accommodation. A phased approach to acquisition would be required to enable the</p>

houses may be considered. Both Capital and S106 funding may be used to support this project. Such properties would be available for use as emergency housing and to discharge the Councils homelessness duty.	council to prevent an oversupply of properties.
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Theoretical Business case - Acquisition of housing for rent

3.12 There are currently 50 properties advertised for sale in the, Slough, Langley or South Bucks District offering 1, 2, 3 bed accommodation with prices ranging from £145,000 to £350,000.

3.13 The outline business case demonstrates that if 20 properties, at an estimated value £6M were purchased, for use as affordable housing and used to provide an alternative to nightly let and B+B accommodation approximately £339,000 cost would be avoided from the homelessness budget. The NPV calculations are detailed in Appendix 2

	Case
Purchase price (including stamp duty)	£6,280,000
Avoided Emergency Housing Costs over 30 years	-£16,128,066
Total profit over 30 years	-£8,788,424
Total NPV over 30 years	-£2,757,424
Avoided Emergency Housing Costs /annum	£339,000

3.14 With the 20 properties being used to accommodate households in emergency housing need, it is estimated that £16Million would be avoided in Emergency Housing Costs and a return on investment of £8.7Million over 30 years could be achieved.

3.15 The business case based on no rental increase, 50% management costs and a loan rate of 2.37% considered to be the worst case scenario.

3.16 The stamp duty of £280,000 is to be confirmed and would be funded from capital

3.17 Assumptions made in developing the indicative business case are:

- Acquisition of properties is £6M excluding VAT and stamp duty estimated at £200k
- Inflation is 3% a year and this is also the discount rate used
- The financing cost is based on borrowing from the Public Works Loan Board, on an annuity basis, over 30 years
- Rents are not increased in line with inflation
- The rental income estimates are based on the 80% of LHA rate for the district
- Rental occupancy is 11 out of 12 months

- Management fee of 50%/property/annum is charged reflecting the higher risk associated with affordable housing
- The calculation assumes the recovery of the £6Million purchase costs over the period of the business case, but as a freehold purchase, the asset may increase in value over time
- The financial model is only an estimate and a detailed business case will be required

Sensitivity analysis of the Financial Model

3.18 The level of income will be directly influenced by the model of renting the properties and in particular the level of income required by the third party that delivers the housing management. The income will also be impacted by the ability to increase rents above the LHA rate, so a figure of 80% of LHA has been used to minimise the impact of benefit reductions. A conservative estimate of 50% management costs has been factored in to manage the properties and client group. The purchase price averaging £300,000 includes approximately £40,000/property for repairs and maintenance on purchase.

3.19 **Risks** – the risks associated with the proposal include;

- Rent levels may be impacted by changes to the market due to economic volatility and may increase or decrease
- Income streams could be affected by tenants failing to meet rent payments and getting into arrears resulting in a shortfall in rental income and additional costs being incurred by legal fees associated with possession action.
- Maintenance costs may increase or decrease over time depending on the costs at that time and the levels of disrepair by tenants.
- Unacceptable behaviour may lead to a higher risk of eviction and management costs
- Council may be unable to find a housing association partner or other provider willing to take on the management of the properties.

3.20 This together with the savings from the Bath Road Depot project would reduce the current homelessness costs to £15,000/annum

2016/17	£
Net Homeless Cost to SBDC	£460,000
Income from interest	£0
Total	£460,000
2017/18	
Interest	£150,000
Lease income	£125,000
Total	£15,000

3.21 With the range of possible schemes that may be available in 2018/19, it is proposed to further consider the development of the Council acquisition scheme following a better understanding of the available supply of properties through the Paradigm Leasing scheme and the impact of that proposal on the budget.

4. Consultation

Not Applicable

5. Options

5.1 To consider the range of possible actions as identified in the Affordable Housing Action Plan to reduce the impact on the medium term financial strategy.

5.2 To prioritise the actions as identified in the Affordable Housing Action Plan

6. Corporate Implications

6.1 Financial – £3.6M is available from the Affordable Housing Contributions (commuted sums) to provide grant funding to deliver affordable rented properties on-site or to purchase temporary accommodation to support homelessness services. The current net cost of Homelessness 2017/18 is forecast to be £487,000 against a budget of £250,000. Reducing the cost of homelessness is a key priority for the Council.

6.2 Legal – The provision of temporary housing takes in to account the current housing needs and supports the delivery of the Councils affordable housing objectives. The Cabinet decision 28th June 2017 extended the delegations to agree expenditure on the provision of temporary housing to support homelessness services.

6 Links to Council Policy Objectives

Delivering cost- effective, customer- focused services.
Working towards safe and healthier local communities.

7 Next Steps

A project group will be established to progress the project and provide update reports to the PAG as part of the Healthy Communities regular update report.

Background Papers:	None other than those referred to in the report
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Appendix 1

South Bucks District Council

Affordable Housing Action Plan

This plan summarises the actions being taken by the Council in connection with the delivery of affordable housing

	Proposal	Scheme	Update	s106 Resource Implications	Other Resource Implications	Responsibility
A1	Assess potential for SBDC to acquire and assemble sites for affordable housing	Gerrards Cross Police Station currently has 8 ex-police houses being used for affordable housing.	The Council purchased the site and development proposals are being submitted in line with planning policy which aims to deliver 40% (12) affordable housing on site	No s106 resource implications	Allocation of funding from the capital programme subject to final business plan	Head of Environment
		<ul style="list-style-type: none"> • Bath Road Depot • Neville Court Burnham, • Bolds Court Stoke Poges, • Field @ Beacon Centre 	Bath Road Depot Temporary Housing Project proposed delivery of up to 12 temporary housing units	Up to £1.4M (plus £300,000 contingency) to be allocated from S106 for Bath Road Depot site £1.3M could be allocated to developing 10/12 units on an alternative site	Allocation of funding from the capital programme subject to business plan for the additional sites	Head of Healthy Communities

	Proposal	Scheme	Update	s106 Resource Implications	Other Resource Implications	Responsibility
		<ul style="list-style-type: none"> Acquisition of land and property adjoining Bath Road Depot 	Negotiations ongoing to acquire the land and property. The conversion of the dwelling would enable 2 self contained flats to be provided		£1,010,000 allocated in capital programme subject to final business plan	Head of Environment
		Acquisition of properties in the district or in a neighbouring settlement for use as long term affordable housing managed by a Registered Provider.	Business case being developed to acquire properties in district and in neighbouring authorities. Average purchase and refurbishment price £300,000	S106 funding can be used to purchase properties in district. £1.3M could be allocated to acquiring 4 or 5 properties in the district	Allocation of £6M from the capital programme subject to final business plan	Head of Environment/ Head of Healthy Communities
A2	Acquisition of properties by a Registered Provider for use as affordable housing	S106 payments enable the purchase of properties through a Registered Provider for use as affordable housing.	L+Q currently delivering the buy back 3 scheme delivering an average of 3 houses per annum	Currently £320,000 is allocated to the Buy Back 3 scheme delivering a grant of 80,000/property.		Head of Healthy Communities

	Proposal	Scheme	Update	s106 Resource Implications	Other Resource Implications	Responsibility
			Bucks Housing Association are modelling a business proposal to provide up to 10 properties for use as affordable housing	Estimate of £655,000 will be required for this scheme		Head of Healthy Communities
A3	Leasing private sector accommodation through a Registered Provider	Paradigm Housing modelling a business proposal to provide up to 50 private sector leased properties for use as affordable housing. Properties to be sought in Slough, Hillingdon, South Bucks and Wycombe	Business plan available October 2017	Nil	Emergency Housing Costs Avoided	Head of Healthy Communities
		Buckinghamshire Housing Association modelling a business proposal to provide private sector leased properties for use as affordable housing				Head of Healthy Communities
A4	Develop a Private Rent deposit scheme				Rental guarantee TBA	Head of Healthy Communities

	Proposal	Scheme	Update	s106 Resource Implications	Other Resource Implications	Responsibility
A5	Discuss with London and Quadrant (L+Q) to bring forward potential opportunities for additional affordable housing development on L+Q owned sites in South Bucks	Ongoing discussions with L+Q over bringing forward garage and green space sites for development. Sheltered Housing redevelopment programme may deliver affordable housing units				Head of Healthy Communities

Financial Business Case worst case - 50% management cost, loan rate increased to 3.23%, zero increase in rental income over 30 years

Property Acquisition Including the cost saving arising from lower use of B&B

Year		Capital Expenditure (Excluding VAT)	R&M Inflationary rise 3.00%	30 Year New PWLB Loan Interest 2.37%	lease Income Inflationary rise 0.00%	Avoided B&B Cost 3.00%	Total Cashflow	Net Present Value (NPV) Discount Rate 3.00%	Repayment Construction Capital / Depreciation	Annual (Profit) / Loss	Return Investment
		A	B1	B2	C	C2	D	E	F	G	H
		£	£	£	£	£	£	£	£	£	£
							= A+B1+B2+C	= D Discounted	= E	= F+B1+B2+C+E	
0	2017/18	Purchase	6,280,000	0	0	0	6,280,000	6,280,000		0	0.0%
1	2018/19	Letting income from Apr 18		0	148,836	-92,435	-339,000	-274,368	209,333	-73,266	1.2%
2	2019/20			28,000	145,375	-92,435	-349,170	-268,230	209,333	-58,897	0.9%
3	2020/21			28,840	141,832	-92,435	-359,645	-281,408	209,333	-72,075	1.1%
4	2021/22			29,705	138,205	-92,435	-370,434	-294,959	209,333	-85,626	1.4%
5	2022/23			30,596	134,492	-92,435	-381,547	-308,894	209,333	-99,561	1.6%
6	2023/24			31,514	130,691	-92,435	-392,994	-323,223	209,333	-113,890	1.8%
7	2024/25			32,460	126,800	-92,435	-404,784	-337,959	209,333	-128,625	2.0%
8	2025/26			33,433	122,817	-92,435	-416,927	-353,112	209,333	-143,778	2.3%
9	2026/27			34,436	118,740	-92,435	-429,435	-368,694	209,333	-159,361	2.5%
10	2027/28			35,470	114,565	-92,435	-442,318	-384,718	209,333	-175,385	2.8%
11	2028/29			36,534	110,292	-92,435	-455,588	-401,197	209,333	-191,864	3.1%
12	2029/30			37,630	105,918	-92,435	-469,255	-418,143	209,333	-208,810	3.3%
13	2030/31			38,759	101,440	-92,435	-483,333	-435,570	209,333	-226,236	3.6%
14	2031/32			39,921	96,856	-92,435	-497,833	-453,491	209,333	-244,158	3.9%
15	2032/33			41,119	92,163	-92,435	-512,768	-471,921	209,333	-262,588	4.2%
16	2033/34			42,353	87,359	-92,435	-528,151	-490,875	209,333	-281,542	4.5%
17	2034/35			43,623	82,441	-92,435	-543,995	-510,367	209,333	-301,034	4.8%
18	2035/36			44,932	77,406	-92,435	-560,315	-530,413	209,333	-321,079	5.1%
19	2036/37			46,280	72,252	-92,435	-577,125	-551,028	209,333	-341,695	5.4%
20	2037/38			47,668	66,976	-92,435	-594,439	-572,229	209,333	-362,896	5.8%
21	2038/39			49,098	61,575	-92,435	-612,272	-594,033	209,333	-384,700	6.1%
22	2039/40			50,571	56,046	-92,435	-630,640	-616,458	209,333	-407,124	6.5%
23	2040/41			52,088	50,386	-92,435	-649,559	-639,520	209,333	-430,186	6.9%
24	2041/42			53,651	44,592	-92,435	-669,046	-663,238	209,333	-453,905	7.2%
25	2042/43			55,260	38,661	-92,435	-689,117	-687,631	209,333	-478,298	7.6%
26	2043/44			56,918	32,589	-92,435	-709,791	-712,719	209,333	-503,386	8.0%
27	2044/45			58,626	26,373	-92,435	-731,084	-738,521	209,333	-529,188	8.4%
28	2045/46			60,385	20,009	-92,435	-753,017	-765,058	209,333	-555,725	8.8%
29	2046/47			62,196	13,495	-92,435	-775,607	-792,352	209,333	-583,018	9.3%
30	2047/48			64,062	6,827	-92,435	-798,876	-820,422	209,333	-611,089	9.7%
			6,280,000	1,266,128	2,566,010	-2,773,056	-16,128,066	-8,788,984	6,280,000	-8,788,984	

Negative is good Negative is good

Loan Repayment Annuity			
Opening Balance	Loan Repayment	Principal + Interest	Closing Balance
£	£	£	£
6,280,000	-146,031	-294,867	6,133,969
6,133,969	-149,492	-294,867	5,984,477
5,984,477	-153,035	-294,867	5,831,442
5,831,442	-156,662	-294,867	5,674,780
5,674,780	-160,375	-294,867	5,514,406
5,514,406	-164,176	-294,867	5,350,230
5,350,230	-168,067	-294,867	5,182,163
5,182,163	-172,050	-294,867	5,010,114
5,010,114	-176,127	-294,867	4,833,986
4,833,986	-180,302	-294,867	4,653,685
4,653,685	-184,575	-294,867	4,469,110
4,469,110	-188,949	-294,867	4,280,161
4,280,161	-193,427	-294,867	4,086,734
4,086,734	-198,011	-294,867	3,888,722
3,888,722	-202,704	-294,867	3,686,018
3,686,018	-207,508	-294,867	3,478,510
3,478,510	-212,426	-294,867	3,266,083
3,266,083	-217,461	-294,867	3,048,623
3,048,623	-222,615	-294,867	2,826,008
2,826,008	-227,891	-294,867	2,598,117
2,598,117	-233,292	-294,867	2,364,826
2,364,826	-238,821	-294,867	2,126,005
2,126,005	-244,481	-294,867	1,881,524
1,881,524	-250,275	-294,867	1,631,250
1,631,250	-256,206	-294,867	1,375,043
1,375,043	-262,278	-294,867	1,112,765
1,112,765	-268,494	-294,867	844,270
844,270	-274,858	-294,867	569,412
569,412	-281,372	-294,867	288,040
288,040	-288,040	-294,867	0

It is beneficial to proceed if:

- The Total NPV over the 30 years is negative (i.e. income exceeds expenditure)
- The Annual Return on Investment is reasonable.

Notes:

Capital Expend	Purchase price	6,000,000	
	Plus SDLT	280,000	Estimate to be confirmed
	Legal fees etc.	0	
	Total Purchase Price	6,280,000	VAT not chargeable

Rental Income No Properties		Rent / Month	Max Rent	Occupancy say 11 out of 12 mths	Mgt Fee 50%	Net lease	repairs	Ground Rent	Service Charge	Total
0	Studio flats	657	0	0.92	50%	0		200	750	0
0	1 bed flat	657	0	0.92	50%	0		250	800	0
20	2 bed flat	840	201,677	0.92	50%	92,435	200	300	900	28,000
0	3 bed flat	1,062	0	0.92	50%	0		350	1,000	0
Total income			<u>201,677</u>			<u>92,435</u>				<u>28,000</u>

Avoided B&B Costs based on
12 cases saving £372 a week for 52 weeks.

	Nightly let Rent per night	Nightly let Rent per month £	Nightly let Rent per year £	HB allowance per year £	client contribution per year £	homelessness cost per year £	homelessness cost per week £
1 bed flat	60.00	1,680	21,900	7,300	1,300	13,300	256
2 bed flat	70.00	1,960	25,550	7,300	1,300	16,950	326
3 bed house	100.00	2,800	36,500	7,300	1,300	27,900	537
							373

Current cost to Homelessness budget		
	numbers of Nightly let	Homelessness total cost per year £ nightly let
1 bed flat	0	-
2 bed flat	20	339,000
3 bed house	0	-
		339,000

combined avoidance costs with Bath road

total avoidanc	-557,000
lease income	-135,889
annual profit	-288,053